

**FOUR CORNERS COMMUNITY  
BEHAVIORAL HEALTH, INC.  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**

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**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
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# SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

### INDEPENDENT AUDITORS' REPORT

Four Corners Community  
Behavioral Health, Inc.  
Price, Utah 84501

We have audited the accompanying statement of financial position of Four Corners Community Behavioral Health, Inc. (a non-profit organization and a joint venture of Carbon, Emery and Grand counties), as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Four Corners Community Behavioral Health, Inc. as of June 30, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2005, on our consideration of the Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Four Corners Community Behavioral Health, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin Rich & Marsing", written in dark ink.

Price, Utah

December 31, 2005

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2005**

ASSETS

## CURRENT ASSETS:

Cash	\$ 276,823
Investments	2,831,230
Restricted investments (Note 15)	80,000
Accounts receivable:	
First and third party, net	64,512
Grants and contracts	522,345
Prepays	113,131
	<hr/>
Total current assets	\$ 3,888,041

## FIXED ASSETS:

Land	\$ 214,983
Improvements	374,788
Buildings	1,612,673
Furniture	518,365
Accumulated depreciation	(897,012)
	<hr/>
Net fixed assets	1,823,797

## OTHER ASSETS:

Investment in F.C.L.C.	\$ 36,491
	<hr/>
Total other assets	36,491
	<hr/>
Total assets	\$ 5,748,329
	<hr/>

LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES:

Accounts payable	\$ 2,241
Deposits payable	1,166
Medicaid match payable	388,242
Payroll taxes payable	40,709
Salaries payable	63,447
Interact depositors trust fund	9,742
Deferred revenue	223,496
Current portion of long-term liabilities	4,802
	<hr/>
Total current liabilities	\$ 733,845
	<hr/>

"The accompanying notes are an integral part of this statement."

EXHIBIT A  
(Continued)

FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2005

LIABILITIES AND NET ASSETS (Continued)

LONG-TERM LIABILITIES:

Retirement payable	\$	30,431	
Compensated absences		257,706	
Loan payable		201,385	
Total long-term liabilities			489,522
Total liabilities	\$		1,223,367

NET ASSETS:

Unrestricted:

Designated

New Heights fundraiser	\$	6,012	
Interact fundraiser		25,188	
Crew fundraiser		1,000	
Laurel Collins, Acct.		12,505	
Retirement sick conversion		174,251	
Retirement benefits trust		117,643	
Retirement benefits trust - legal		5,000	
Medicaid		560,625	
Moab building expansion		257,000	
Carbon clinic drainage		7,000	
Carbon clinic roof		20,000	
Carbon remodel		250,000	
Admin remodel		30,000	
Fixed assets		1,622,412	
Undesignated			
Operations		1,436,326	
Total net assets	\$		4,524,962
Total liabilities and net assets	\$		5,748,329

"The accompanying notes are an integral part of this statement."

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	CURRENT FUNDS	LAND BUILDING & EQUIPMENT FUND	TOTAL ALL FUNDS
	<u>OPERATIONS</u>		
Charges for Services:			
First and third party charges			
(less \$586,883 of contractual adjustment)	\$ 324,984		\$ 324,984
Medicaid	3,084,228		3,084,228
Medicaid - Youth A&D, net (Note 12)	188,918		188,918
Medicaid "K", net (Note 12)	119,325		119,325
Interact/New heights sales	14,428		14,428
	<u>3,731,883</u>		<u>3,731,883</u>
Net charges for services	\$ 3,731,883	\$ ...	\$ 3,731,883
Government and other grants	\$ 3,052,255	\$ ...	\$ 3,052,255
Other Revenue:			
Support revenue	\$ 4,851		\$ 4,851
Interest	58,722		58,722
Rental fees	25,487		25,487
Gain on sale of fixed assets		\$ 2,551	2,551
Donations	70		70
	<u>89,130</u>		<u>91,681</u>
Total other revenue	\$ 89,130	\$ 2,551	\$ 91,681
Total governmental grants and revenues	\$ 6,873,268	\$ 2,551	\$ 6,875,819
Expenses:			
Program services:			
Case management	\$ 246,454	\$ 7,566	\$ 254,020
Alcohol and drug	935,421	10,680	946,101
Inpatient	114,398		114,398
Clinical	1,457,211	25,059	1,482,270
Day treatment	432,723	36,604	469,327
LIC/Respite	12,365		12,365
Can do crew	83,408	4,659	88,067
Special child	695,449	3,400	698,849
Residential Support	186,738	14,879	201,617
	<u>4,164,167</u>	<u>102,847</u>	<u>4,267,014</u>
Total program services	\$ 4,164,167	\$ 102,847	\$ 4,267,014

"The accompanying notes are an integral part of this statement."



**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>CURRENT FUNDS</u>	<u>LAND BUILDING &amp; EQUIPMENT FUND</u>	<u>TOTAL ALL FUNDS</u>
	<u>OPERATIONS</u>		
Support Services:			
Management and general	\$ 1,612,390	\$ 18,010	\$ 1,630,400
Total support services	\$ 1,612,390	\$ 18,010	\$ 1,630,400
Total expenses	\$ 5,776,557	\$ 120,857	\$ 5,897,414
Government grants and revenues over (under) expenses	\$ 1,096,711	\$ (118,306)	\$ 978,405
Other changes in net assets:			
Property and equipment acquisitions from operations funds	(142,658)	142,658	
Net assets, beginning of year	1,948,497	1,598,060	3,546,557
Net assets, end of year	\$ 2,902,550	\$ 1,622,412	\$ 4,524,962

"The accompanying notes are an integral part of this statement."

FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	PROGRAM SERVICES										GRAND TOTALS 2005
	CASE MANAGEMENT	ALCOHOL & DRUG	INPATIENT	CLINICAL	DAY TREATMENT	LIC/RESPIE	CAN DO CREW	SPECIAL CHILD	RESIDENTIAL SUPPORT	TOTAL	
Salaries and employee benefits	\$ 215,239	\$ 665,219	\$ 85,303	\$ 1,023,683	\$ 331,442	\$	\$ 72,597	\$ 516,807	\$ 147,532	\$ 3,057,822	\$ 3,643,325
Total salary and related expenses	\$ 215,239	\$ 665,219	\$ 85,303	\$ 1,023,683	\$ 331,442	\$	\$ 72,597	\$ 516,807	\$ 147,532	\$ 3,057,822	\$ 3,643,325
Current Expenses:											
Professional fees	\$ 396	\$ 91,373		\$ 223,640	\$ 344	\$ 5,000		\$ 77,982		\$ 398,735	\$ 112,272
Travel	11,361	14,137	3,819	60,206	22,060	377	3,584	12,478	2,278	130,300	14,331
Maintenance and repairs	1,468	14,773		22,510	3,841		1,825	1,860	16,930	63,207	3,113
Supplies	4,452	49,967	13	48,077	33,732	3,814	3,120	18,952	6,044	168,171	23,881
Postage	48	1,258		1,700	978			772		4,756	4,019
Data processing	114	327	19	3,734	611	58	20	446	35	5,364	8,775
Rental expense				429				1,200		1,838	840
Utilities	2,591	8,628		10,015	5,880		209	1,314	7,109	35,990	5,919
Client costs	985	44,465	23,455	5,915	5,106		68	325	826	81,145	9
Conferences and workshops	728	10,104	88	13,538	10,253	35		33,300	22	68,068	14,226
Medicaid match and refund				4,935						4,935	784,110
A & D contract p-codes		8,662								8,662	8,662
Interest		99		148						247	247
Insurance	5,909	14,740	792	16,838	7,789	2,335	1,034	4,913	2,754	57,104	14,621
Telephone	2,997	6,871	909	16,974	4,801	336	447	11,658	2,576	47,569	9,710
Advertising		712		4,510	187			485	284	6,178	110
Miscellaneous	29	3,746		4,353	4,353	410		12,842	239	21,619	3,402
Licenses/associations	137	340		359	1,346		51	115	109	2,457	22,382
Total current expenses	\$ 31,215	\$ 270,202	\$ 29,095	\$ 433,528	\$ 101,281	\$ 12,365	\$ 10,811	\$ 178,642	\$ 39,206	\$ 1,106,345	\$ 1,026,887
Total expenses before depreciation	\$ 246,454	\$ 935,421	\$ 114,398	\$ 1,457,211	\$ 432,723	\$ 12,365	\$ 83,408	\$ 695,449	\$ 186,738	\$ 4,164,167	\$ 1,612,390
Depreciation on buildings and equipment	\$ 7,566	\$ 10,680		\$ 25,059	\$ 36,604		\$ 4,659	\$ 3,400	\$ 14,879	\$ 102,847	\$ 18,010
Total expenses	\$ 254,020	\$ 946,101	\$ 114,398	\$ 1,482,270	\$ 469,327	\$ 12,365	\$ 88,067	\$ 698,849	\$ 201,617	\$ 4,267,014	\$ 1,630,400
											\$ 5,897,414

"The accompanying notes are an integral part of this statement."

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Cash flows from operating activities:		
Cash received from customers	\$ 300,472	
Cash received from government grants	2,922,563	
Cash received from Medicaid	3,419,366	
Cash received from interest	58,722	
Other cash received as revenue	45,502	
Cash paid to employees and suppliers	<u>(5,582,659)</u>	
Net cash flows provided (used) by operating activities		\$ 1,163,966
Cash flows from investing activities:		
Purchase of capital assets	\$ (98,911)	
Cash received on sale/refund of capital assets	<u>2,551</u>	
Net cash provided (used) by investing activities		(96,360)
Cash flows from financing activities:		
Payment on notes payable	<u>\$ (46,298)</u>	
Net cash provided (used) by financing activities		<u>(46,298)</u>
Net increase (decrease) in cash and cash equivalent		\$ 1,021,308
Cash and cash equivalents at beginning of year		<u>2,166,745</u>
Cash and cash equivalents at end of year		<u><u>\$ 3,188,053</u></u>

"The accompanying notes are an integral part of this statement."

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Reconciliation of revenue over expenses to net cash provided by operating activities:		
Excess revenue over expenses		\$ 978,405
Adjustments to reconcile revenues over expenses to net cash provided by operating activities:		
Depreciation	\$ 120,857	
Gain on sale of capital assets	(2,551)	
Increase in net accounts receivable	(24,512)	
Increase in contract receivables	(129,692)	
Increase in prepaid expenses	(22,212)	
Increase in accounts payable	200,991	
Increase in deposits payable	666	
Increase in compensated absences	22,360	
Decrease in payroll liabilities	(16,983)	
Increase in trust fund payable	9,742	
Increase in deferred revenue	26,895	
Total adjustments		<u>185,561</u>
Net cash flows provided by operating activities		<u>\$ 1,163,966</u>

"The accompanying notes are an integral part of this statement."

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of Four Corners Community Behavioral Health, Inc. are listed below:

**REPORTING ENTITY**

Under Utah State Code Sections 17A-3-600 and 17A-3-700, the State has given substance abuse and mental health authorities to counties to provide mental health and substance abuse services to persons living within their boundaries. To comply with Utah State Code, Carbon, Emery and Grand counties have joined together and entered into an agreement with Four Corners Community Behavioral Health, Inc. to provide mental health and substance abuse services. The Corporation has been organized as a non-profit corporation and its' original board of directors was appointed by the governing boards of three counties. The Corporation contracts with the counties to provide mental health and substance abuse services to the citizens of the three-county area. As part of this contract, the counties provide funds to the Corporation by contracting for grants with the State of Utah and passing proceeds through to the Corporation, and by each county making additional local contributions. Because of these agreements, the three counties have an ongoing financial responsibility - therefore, the Corporation is reported as a joint venture of Carbon, Emery and Grand counties. There are no elements of the agreements between the counties that specify equity interests for the counties.

All financial activities over which Four Corners Community Behavioral Health, Inc. has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the Corporation's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the Corporation's financial statements as a component unit.

**Basis of Accounting**

Accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recognized when earned. Expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables**

The balance reported as contract receivables reflects grant and contract revenues due from federal, state and local governments.

The balance reported as accounts receivable reflects amounts due from first and third parties. The allowance account, associated with the accounts receivable was arrived at by reviewing past collections, discussion with management, and review of present accounts.

**Income Tax Status**

The Corporation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

**Capitalization of Interest**

The Corporation has elected to capitalize, as part of the fixed asset cost, interest that has been incurred during the construction of fixed assets.

**Property, Equipment and Depreciation**

Property and equipment are stated at cost or if donated, at the approximate fair market value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. In the year of acquisition, only one-half of the first year's depreciation is taken. The depreciation lives assigned are as follows:

Buildings	40 yrs
Improvements	10 yrs
Equipment	3-10 yrs

On March 22, 2001, the Corporation changed its capitalization policy, stating that only equipment, furniture and building remodels in excess of \$5,000 would be capitalized and depreciated. All purchases of equipment, furniture and building remodels less than \$5,000 are to be expensed in the current period.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, all highly liquid investments with a maturity of six months or less when purchased are considered cash equivalents. Funds invested with the State Treasurer's Public Investment Pool are considered to be cash equivalents.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributed Services**

The Corporation receives donated services by unpaid volunteers who assist in carrying out the Corporation's mental health and substance abuse programs and activities. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

**Fair Value of Financial Instruments**

The Corporation has a number of financial instruments, none of which are held for trading purposes. The Corporation estimates that the fair value of all financial instruments at June 30, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. **MEDICAID PAYABLE**

The Medicaid payable is \$388,242 to be paid to the state as a match associated with collection of Medicaid funds.

Each year, the Corporation has a settlement on Medicaid billings. The State of Utah has not finalized the settlement with the Corporation on the Medicaid billings for the current year.

Until the State audits all costs associated with Medicaid patients, the Corporation will not know the exact payable. Depending on the outcome of the final settlement, the Corporation could owe additional funds to the State.

### 3. CHANGE IN FIXED ASSETS

	Fixed Assets, at Cost			
	Balance June 30, 2004	Additions	Retirements and other Adjustments	Balance June 30, 2005
Land	\$ 214,983			\$ 214,983
Buildings	1,612,673			1,612,673
Improvements	315,861	\$ 58,927		374,788
Furniture and equipment	517,484	39,984	\$ (39,103)	518,365
	<u>\$ 2,661,001</u>	<u>\$ 98,911</u>	<u>\$ (39,103)</u>	<u>\$ 2,720,809</u>

	Accumulated Depreciation			
	Balance June 30, 2004	Depreciation	Retirements and other Adjustments	Balance June 30, 2005
Buildings	\$ 272,843	\$ 40,317		\$ 313,160
Improvements	169,003	22,517		191,520
Furniture and equipment	373,412	58,023	\$ (39,103)	392,332
Accumulated depreciation	<u>\$ 815,258</u>	<u>\$ 120,857</u>	<u>\$ (39,103)</u>	<u>\$ 897,012</u>

### 4. PENSION PLAN

As of June 30, 2005, Four Corners Community Behavioral Health, Inc. (the Corporation) contributed to the Local Governmental Noncontributory Retirement System, cost sharing, multiple-employer defined, benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.



**4. PENSION PLAN (Continued)**

Funding policy. Plan members are not required to make contributions to the Local Governmental Noncontributory Retirement System; the Corporation is required to contribute 11.09 percent of its annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The Corporation's contributions to the Local Governmental Noncontributory Retirement System for June 30, 2005, 2004 and 2003 were \$264,302.26, \$232,744.83 and \$198,934.16 respectively. The contributions were equal to the required contributions for each year.

The Corporation offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 457 and 401(k). These deferred compensation plans are administered by the Utah State Retirement Systems. The Section 457 plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee's contributions to the Section 457 plan totaled \$17,493.00, \$15,255.00 and \$12,220.00 for the years ended June 30, 2005, 2004 and 2003. The 401(k) plan covers all corporate employees who participate in the Systems noncontributory retirement plans. Participants are fully vested in employer and employee contributions. The corporate contributions made in behalf of employees were \$35,748.98, \$36,290.69 and \$34,337.86 for the years ended June 30, 2005, 2004 and 2003 respectively. Employees also made contributions to the 401(k) plan in the amounts of \$98,440.01, \$103,627.94 and \$90,059.44 for the years ended June 30, 2005, 2004 and 2003 respectively.

**5. COMPENSATED ABSENCES**

Compensated absences have been figured based upon actual liability and fringe benefits for vacation pay accrued. An hourly wage for each employee was used to compute the liability for each hour of vacation. Employees electing early retirement are entitled to 25% of accumulated sick leave at the employee's current rate of pay. This liability is included in compensated absences on the balance sheet.

**6. LOAN PAYABLE**

On August 28, 2002, the Corporation entered into an agreement with the State of Utah, Department of Community and Economic Development whereby the State would loan the Corporation \$201,385 (at zero percent interest) to acquire and rehabilitate an apartment building located in Moab, Utah. The terms of the agreement state that as long as the building is not sold and the Corporation continues to use the building to provide permanent supported housing for homeless adults disabled by severe and persistent mental illness, and those with a dual diagnosis of mental illness, substance abuse and/or physical illness, no repayment of the loan is required.

7. **CHANGES IN NOTES PAYABLE AND LOAN PAYABLE**

	Notes Payable/Loan Payable			
	Balance 6-30-04	New Debt Issued	Principal Debt Retirement	Balance 6-30-05
Notes payable	\$ 46,298		\$ (46,298)	
Loan payable	201,385			\$ 201,385
	<u>\$ 247,683</u>	<u>\$ ...</u>	<u>\$ (46,298)</u>	<u>\$ 201,385</u>

8. **SUPPORTING SERVICES**

Supporting services expenses are made up of general and administrative costs. Included in the supporting services is \$784,110 of Medicaid match and reimbursements paid to the State of Utah.

9. **OFF BALANCE SHEET RISK**

Four Corners Community Behavioral Health, Inc. has six bank accounts with Zions Bank, five checking accounts and one money market account. The total funds held in these accounts at June 30, 2005, was \$201,668. Although there are six accounts, FDIC insurance will only cover \$100,000 on deposit. By maintaining an account balance greater than FDIC insurance limitations, the Corporation could potentially lose money in excess of insured balances.

10. **DEPOSITS AND INVESTMENTS**

At June 30, 2005, the book balance of cash on deposit was \$276,823 and the bank balance was \$201,668. Of the bank balance, \$100,000 was covered by federal depository insurance and is classified as Category 1 under GASB Statement 3. The remaining bank balance of \$101,668 is classified as Category 3. Deposits are not collateralized nor are they required to be by State statute.

The Corporation follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Corporation funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

10. **DEPOSITS AND INVESTMENTS (Continued)**

The Act also defines the types of securities allowed as appropriate temporary investments for the Corporation and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories, certified dealers, or directly with the issuer of the securities.

Allowable investments under the Act include:

- Negotiable or nonnegotiable deposits of qualified depositories.
- Repurchase agreements with qualified depositories or primary reporting dealers.
- Commercial paper which is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services, Inc., or Standard and Poor's Corporation, which has a remaining term to maturity of 270 days or less.
- Bankers' acceptances that are eligible for discount at a Federal Reserve Bank and which have a remaining term of 270 days or less.
- Obligations of the United States Treasury, including bills, notes and bonds.
- Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association, Federal Agriculture Mortgage Corporation, or Tennessee Valley Authority.
- Shares or certificates in a money market mutual fund that complies with Rule 2a-7 of the Securities Exchange Commission.
- Utah Public Treasurer's Investment Fund.

Investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Corporation or its agent in the Corporation's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or an agent in the Corporation's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agency but not in the Corporation's name.

Investments: Investments of the Corporation are stated at cost and are included in the financial statements as investments.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments not subject to categorization:		
Utah Treasurer's Investment Pool	<u>\$ 2,911,230</u>	<u>\$ 2,911,230</u>

10. **DEPOSITS AND INVESTMENTS (Continued)**

The Utah Public Treasurers' Investment Fund ("the Pool"), managed by the Utah State Treasurer, is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested in securities permitted by the Act and contain no withdrawal restrictions other than timely notice of intent to withdraw an amount greater than \$2 million. Investment activity of the State Treasurer in the management of the Pool is reviewed monthly by the Council and is audited by the Utah State Auditor. Monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The fair value of the position in the Pool is greater than the face value of the Pool shares.

11. **ACCOUNTS RECEIVABLE**

The accounts receivable shown on the balance sheet represents the net amount due from first and third parties and grant and contracts. The following is a breakdown of receivables and the allowance for doubtful accounts.

Accounts Receivable - First & Third Party	\$ 208,870
Allowance for doubtful accounts	<u>(144,358)</u>
Net First & Third Party receivables	<u><u>\$ 64,512</u></u>
Grant and Contract receivable	<u>\$ 522,345</u>
Net Grant and Contract receivable	<u><u>\$ 522,345</u></u>

12. **BILLINGS ADJUSTMENT**

The Corporation charges individuals, state agencies and insurance carriers for services provided for clients. For each category of responsible persons or entity, payments for services may differ. Below gross bills are recorded along with amounts disallowed or adjusted against billings:

12. **BILLINGS ADJUSTMENT (Continued)**

First and Third Party billings	\$ 911,867
Contractual adjustments	<u>(586,883)</u>
Net charges for First and Third party billings	<u>\$ 324,984</u>
Medicaid Youth A&D billings	\$ 279,415
Disallowed billings	<u>(90,497)</u>
Net Medicaid Youth A&D billings	<u>\$ 188,918</u>
Medicaid "K" billings	\$ 144,059
Disallowed billings	<u>(24,734)</u>
Net Medicaid "K" billings	<u>\$ 119,325</u>

13. **INVESTMENT IN FOUR CORNERS L.C.**

Four Corners Community Behavioral Health, Inc. (the Corporation) has been given the mental health and substance abuse authority by Carbon, Emery and Grand Counties to provide mental health and substance abuse services for the citizens of the three counties. In providing these services, the Corporation found a need to provide housing for clients who were low income and suffering with mental health and substance abuse problems. To meet this need, the Corporation began a project, during the calendar year 1994, for the construction of a housing facility in Moab, Utah. Near the conclusion of the construction of this housing facility, the Corporation entered into an agreement with Zions First National Bank (Zion's) to share the ownership of the project by creating a partnership between Zion's and the Corporation.

The partnership, Four Corners L.C., was capitalized by Zion's contributing \$147,950 and the Corporation contributing land and equipment which had cost the Corporation \$37,500. For their respective contributions, Zion's received a 99% ownership share in the newly organized partnership and the Corporation received a 1% share. The Corporation received a reduced share in the facility because of it's objective to provide living facilities for those they provided services to. The operation of the project is not to make a profit but to cover the costs of operating and maintaining the facility.

The investment in Four Corners L.C. is reported at amortized cost, which is the cost of land and equipment contributed less depreciation. The cost basis reflected in the financial statements approximates the equity method of accounting because the project is not operated to make a profit.

**14. RELATED PARTY TRANSACTIONS**

The Corporation has several transactions and relationships that have been listed below as related party transactions:

Eastern Utah Mental Health Service, Inc., a private nonprofit corporation was initially created and incorporated by Four Corners Community Mental Health Corporation's board chairman, executive director and business manager. Eastern Utah Mental Health Services, Inc. owns and manages a residential housing facility. The housing facility is used as housing for clients of the Corporation. Currently, Robert Greenberg, the Corporation's Executive Director is serving on the governing board of Eastern Utah Mental Health Services, Inc. Also Gordon Hicks, the Corporation's director of management services has been hired individually by Eastern Utah Mental Health Services, Inc. to manage HUD forms and reports, do the accounting, and work with the on-site manager.

The Corporation contracts with Relph & Sons to provide lawn care and maintenance work at their Moab office. The owner of Relph & Sons is the husband of Sharon Relphs, Clubhouse Director at the Moab Interact Center. During the year under audit, Relph & Sons were paid \$1,573 for goods and services.

The Corporation paid Nation's Towing \$491.95 and Gravel Pit Lanes \$247.50 for services provided. Sharon Relph's brother owns both of these businesses.

Shawn Alton was paid \$3,750 for janitorial services he performed at the Castle Dale office. His wife, Kari Alton, is a case manger at the Emery Clinic.

Gary Holyoak was paid \$3,807 during the year ended June 30, 2005, for janitorial services he performed at the Moab office. His wife, Pat Holyoak, is a secretary in the Moab office.

During the year ended June 30, 2005, the Corporation paid A & E Electric \$701.92 for electrical services. The owner of A & E Electric is Ronald Holyoak, brother-in-law to Pat Holyoak, who is the secretary in the Moab office.

Lofthouse Electric was paid \$924.30 for services performed during the fiscal year ending June 30, 2005. Silvia Lofthouse's father owns Lofthouse Electric. Silvia is an administrative assistant at the Castle Dale office.

The Copy Center was paid \$666.26 for services they performed during the fiscal year ending June 30, 2005. The owner of The Copy Center is John Anast, father of Anthony Anast, who is employed with the Corporation as a clubhouse generalist.

The Corporation purchased \$1,418.81 of products and services from Office Equipment. Melonie Dolphin's aunt owns office Equipment. Melonie is a clubhouse generalist.

**15. POST RETIREMENT BENEFITS/RESTRICTED INVESTMENTS**

Four Corners Community Behavioral Health, Inc. has adopted, as a policy of the Corporation, a provision, which allows employees certain post retirement benefits that will be paid by the Corporation upon early retirement. This early retirement benefit applies to employees who have 15 years or more of service with the Corporation and 25 years or more participation in the Utah Retirement System. The post retirement benefits consist of the Corporation paying monthly health and life insurance premiums based on the formula outlined in their sick leave conversion/sick leave retirement policy contained in the Corporation's personnel policy and procedure manual.

During the year ended June 30, 2005, the Corporation hired an actuarial consulting group to calculate the estimated actuarial present value of accumulated plan benefits based on their current policy. It was determined by this actuarial consulting group that the Corporation would be obligated for a total post retirement insurance benefit of \$346,724. According to current accounting standards, this obligation is not required to be recorded as a liability in the financial statements. But in anticipation of the obligation, the Corporation has recorded, in their financial statements, in prior years, a post retirement benefit payable of \$30,431. This obligation is still shown as a liability on the financial statements as of June 30, 2005.

The Board of Trustees is also looking at alternative methods of funding this future obligation. As a start, the Board of Trustees has required \$80,000 of their investments in the Public Treasurers Investment Fund to be restricted for the purpose of paying for post retirement insurance benefits. They have also designated the following net assets: \$174,251 for the retirement sick conversion, \$117,643 for the retirement benefits trust, and \$5,000 for the retirement benefits trust-legal.

Post employment benefits are financed on a pay-as-you-go basis. The amount of post employment benefits paid during the year was \$26,331.21. At present, there are six employees who qualify for post retirement benefits and four additional employees who are receiving these benefits.

**16. DEFERRED REVENUE**

The Corporation received their Medicaid capitation revenue for July 2005 in June therefore this amount is reported in the Statement of Financial Position as deferred revenue.

17. **GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable are deemed to be fully collectible by management and are composted of the following amounts due at June 30, 2005:

<u>Grant or Contract Description</u>	<u>Grant or Contract Number</u>	<u>Receivable Amount</u>
Case Mgt. Emergency Shelter	05-1072	\$ 4,216
COPS - Meth Grant	2004CKWX0376	3,115
DCFS District Juvenile Court Case Mgt	n/a	1,125
Emery/Grand Drug Court	04-1687	30,309
Emery County Planner	03-0730	6,574
Emery Mentoring	05-1980	1,084
Frontier	05-1451	180,761
Grand County Special Education	n/a	2,988
Green River Medical Clinic	n/a	6,250
Supportive Housing Program	UT01B203001	8,263
Seventh District Juvenile Court	46060	6,000
Jade - Juvenile Court	n/a	1,041
Mental Health	02-3017	3,600
Norchem	n/a	3,363
PACT	03-1182	10,468
Path Homeless	05-1255	6,074
Safe & Stable Familes	05-1266	3,659
SICA	02-1317	8,003
Substance Abuse	02-3015	28,863
State Data Infrastructure	SM56635-01	14,077
Pregnancy Prevention/Out of Wedlock	03-1212	16,679
DUI Education & Evaluation	n/a	2,475
UT Abstience Education Program	04-1392	3,935
Carbon County - Match	n/a	47,012
Emery County - Match	n/a	29,379
Grand County - Match	n/a	19,984
Transition - Divison of Rehabilitation	n/a	7,224
Group K Medicaid	n/a	18,000
Substance Abuse - Medicaid	n/a	40,012
Emergency Shelter/Homeless Prevention	05-1184	500
Miscellaneous	n/a	7,312
Total grants and contracts receivable		<u>\$ 522,345</u>



**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**SUMMARY OF GRANTS**  
**AUDIT JUNE 30, 2005**

CONTRACT	CONTRACT NUMBER	GRANT AWARD	CONTRACT PERIOD
Substance Abuse	02-3015	547,697.00	07-01-04 thru 06-30-05
Mental Health	02-3017	576,300.00	07-01-04 thru 06-30-05
Frontier	02-2855	1,527,913.00	12-01-01 thru 09-30-04
Frontier	05-1451	682,525.00	10-01-04 thru 08-31-05
Path Homeless	05-1255	48,074.00	07-12-04 thru 06-30-06
Pact Grant	03-1182	196,443.00	10-01-02 thru 09-30-05
UT Abstinence Ed. Program	04-1392	26,250.00	10-01-03 thru 09-30-08
Safe and Stable Families	05-1266	49,186.00	07-01-04 thru 06-30-05
SICA (Dept. Human Service)	02-1317	190,056.00	07-01-01 thru 09-30-05
Moab Summer Special Ed.	02-2265	33,491.00	03-15-02 thru 09-30-04
Interact Transportation	03-1253	44,800.00	12-01-02 thru 09-30-04
Pregnancy Prevention Out of Wedlock	03-1212	159,966.00	10-01-02 thru 09-30-05
Emery County Planner	03-0730	161,000.00	07-01-02 thru 06-30-05
Emergency Shelter Grant Homeless Prevention	05-1184	1,250.00	07-01-04 thru 06-30-05
Supportive Housing Program	UT01B203001	417,252.00	07-01-03 thru 03-31-06
COPS - Meth Grant	2004CKWX0376	200,000.00	01-01-05 thru 12-31-05
Juvenile Court	46060	12,000.00	07-01-04 thru 06-30-05
Division of Youth Corrections	A-00468	Service Fee Billed Per Unit	07-01-03 thru 06-30-06

**SCHEDULE 1**  
**(Continued)**

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**SUMMARY OF GRANTS**  
**AUDIT JUNE 30, 2005**

<u>CONTRACT</u>	<u>CONTRACT NUMBER</u>	<u>GRANT AWARD</u>	<u>CONTRACT PERIOD</u>
Homeless Trust (Meals, Education, & Case Mgt. Emergency Shelter Grant)	05-1072	25,500.00	07-01-04 thru 06-30-05
Pre-admission Screen & Resident Review	A-00214	Service Fee Billed Per Unit	07-01-02 thru 06-30-05
Grand County Special Education	N/A	9,000.00	07-01-04 thru 06-30-05
Emery/Grand Drug Court	04-1687	400,000.00	07-01-03 thru 09-30-05
JADE - Juvenile Court	N/A	2,000.00	07-01-04 thru 06-30-05
GCSD Case Management Service to Youth designated by SDJ Court	N/A N/A	2,000.00 2,000.00	10-01-03 thru 09-30-04 10-01-04 thru 09-30-05
Grand County LIC Case Management service for SDJ Court	N/A	2,000.00	10-01-04 thru 09-30-05
DYC Case Management Services to Youth designated by SDJ Court	N/A	1,000.00	10-01-03 thru 09-30-04
7th District Juvenile Court Case Management Services	N/A N/A	1,000.00 1,500.00	10-01-03 thru 09-30-04 10-01-04 thru 09-30-05
Juvenile Justice Services Case Management service for SDJ Court	N/A	1,000.00	10-01-04 thru 09-30-05
DCFS Case Management Services for SDJ Court	N/A	1,500.00	10-01-04 thru 09-30-05
DUI Education & Evaluation	N/A	\$50 per unit	Ongoing
Green River Medical Clinic	N/A	25,000.00	07-01-04 thru 06-30-05
Integrated Data Infrastructure Grant	05-0278	31,646.00	04-01-04 thru 09-30-04

**SCHEDULE 1**  
**(Continued)**

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**SUMMARY OF GRANTS**  
**AUDIT JUNE 30, 2005**

<u>CONTRACT</u>	<u>CONTRACT NUMBER</u>	<u>GRANT AWARD</u>	<u>CONTRACT PERIOD</u>
State Data Infrastructure Grant (Substance Abuse)	SM56635-01	14,076.56	One Time Grant
Utah Co Division of Substance Abuse (Meth moms & dependent children)	2004-360	6,178.00	07-01-04 thru 06-30-05
Emery County Employee Assistance	N/A	Service Fee Billed Per Unit	Ongoing
Emery County School District Counseling	N/A	2,000.00	10-01-04 thru ongoing
Smoking Cessation Contract	N/A	1,400.00	08-01-04 thru 07-31-05
Carbon County Jail	N/A	9,000.00	07-01-04 thru 06-30-05
Emery Mentoring - Fostering Success	05-1980	23,786.00	01-01-05 thru 06-30-06
Moab Sound Partners for Community Health (Benton Foundation)	N/A	7,500.00	One Time Grant
CTAT Grant	N/A	3,976.00	
National Forest Foundation	0040224	3,000.00	11-15-04 thru 11-15-05
Eccles Foundation	N/A	<u>3,000.00</u>	One Time Grant
Total Grant Awards		<u>5,453,265.56</u>	

**SMUIN, RICH & MARSING**

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Four Corners Community  
Behavioral Health, Inc.  
Price, Utah 84501

RE: Auditor's Report on State Compliance  
for State Grants

We have audited the financial statements of Four Corners Community Behavioral Health, Inc., a non-profit corporation, for the year ended June 30, 2005 and have issued our report thereon dated December 31, 2005. As part of our audit, we have audited the Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to its major State assistance programs as required by the State of Utah's Legal Compliance Audit guide for the year ended June 30, 2005. Four Corners Community Behavioral Health, Inc. received the following major State assistance program from the State of Utah:

State Mental Health (Utah State Department of Human Services)  
Substance Abuse Contracts (Utah State Department of Human Services)

Four Corners Community Behavioral Health, Inc. also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the Four Corners Community Behavioral Health, Inc.'s financial statements.)

Preadmission Screen & Resident Review (Utah State Department of Human Services)  
Juvenile Court (Utah State Department of Corrections)  
Homeless Trust (Utah State Department of Community and Economic Development)  
Critical Needs Housing (Utah State Department of Community and Economic Development)  
Emery/Grand Drug Court Services (Utah State Department of Human Services)  
Division of Youth Corrections (Utah State Department of Corrections)  
State Data Infrastructure Grant (Utah State Department of Human Services)  
DCFS Case Management Services (Utah State Department of Human Services)  
Emery Mentoring – Fostering Success (Utah State Department of Human Services)

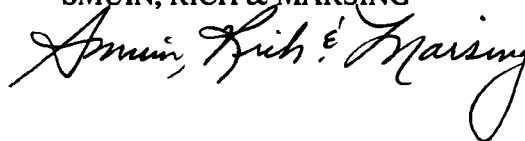
The management of Four Corners Community Behavioral Health, Inc. is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Four Corners Community Behavioral Health, Inc., complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended June 30, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Amin, Rich & Marsing", written in dark ink.

Price, Utah

December 31, 2005

# SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

## MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Four Corners Community  
Behavioral Health, Inc.  
Price, Utah 84501

RE: Report on Compliance and on Internal  
Control Over Financial Reporting Based  
on an Audit of Financial Statements  
Performed in Accordance With Govern-  
ment Auditing Standards

We have audited the financial statements of Four Corners Community Behavioral Health, Inc. as of and for the year ended June 30, 2005, and have issued our report thereon dated December 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

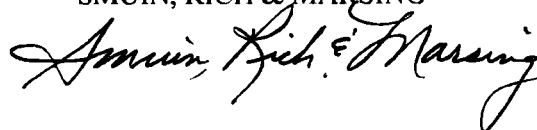
### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

December 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Four Corners Community  
Behavioral Health, Inc.  
Price, Utah 84501

RE: Report on Compliance With Requirements  
Applicable to Each Major Program and  
Internal Control Over Compliance in  
Accordance With OMB Circular A-133

### Compliance

We have audited the compliance of Four Corners Community Behavioral Health, Inc. (a nonprofit corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, Four Corners Community Behavioral Health, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.



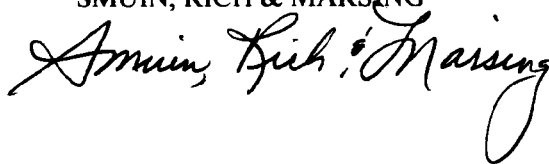
### Internal Control Over Compliance

The management of Four Corners Community Behavioral Health, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING



Price, Utah

December 31, 2005

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Four Corners Community Behavioral Health, Inc.
2. There were no reportable conditions and no material weaknesses disclosed in internal control by the audit over the financial statements.
3. No instances of noncompliance material to the financial statements of Four Corners Community Behavioral Health, Inc., were disclosed by the audit.
4. There were no reportable conditions or material weaknesses in internal control over major programs disclosed by the audit.
5. The auditors' report on compliance for the major federal awards programs for Four Corners Community Behavioral Health, Inc., expresses an unqualified opinion.
6. The audit of Four Corners Community Behavioral Health, Inc., major programs disclosed no audit findings relating to major programs that the auditor is required to report.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
Alcohol and Drug	93.959
Frontier Program	93.104

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Four Corners Community Behavioral Health, Inc., was determined to be a low-risk auditee.

**B. FINDINGS-FINANCIAL STATEMENTS AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL CFDA NUMBER	GRANT OR PASS THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCURED OR (DEFERRED) REVENUE AT JULY 1, 2004	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCURED OR (DEFERRED) REVENUE AT JUNE 30, 2005
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through Utah State Department of Human Services						
93.104	02-2855	\$ 1,527,913	\$	\$ 247,281	\$ 247,281	*
93.104	05-1451	682,525		474,052	474,052	*
93.150	05-1255	48,074		48,074	48,074	
93.230	02-1317	190,056		44,200	44,200	
93.235	04-1392	26,250		4,561	4,561	
93.556	05-1266	49,186		49,186	49,186	
93.558	03-1212	106,644		13,331	13,331	
93.558	03-1212	53,322		40,917	40,917	
93.558	03-1253	44,800		3,365	3,365	
93.669	03-0730	161,000		48,000	48,000	
93.958	03-1182	196,443		46,869	46,869	
93.958	02-3017	41,800		41,800	41,800	
93.958	02-3017	11,400		11,400	11,400	
93.959	02-3015	300,951		300,951	300,951	*
Total U.S. Department of Health and Human Services			\$ 3,440,364	\$ 1,373,987	\$ 1,373,987	\$
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed through Utah State Department of Human Services						
84.186B	02-3015	\$ 10,420		\$ 10,420	\$ 10,420	
Total U.S. Department of Education			\$ 10,420	\$ 10,420	\$ 10,420	\$
<b>U.S. DEPARTMENT OF LABOR</b>						
Passed through Utah State Department of Human Services						
17.259	02-2265	\$ 33,491		\$ 1,965	\$ 1,965	
Total U.S. Department of Labor			\$ 33,491	\$ 1,965	\$ 1,965	\$
<b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>						
Direct Program						
14.235	UT01B203001	\$ 417,252		\$ 145,958	\$ 145,958	
14.231	05-1184	1,250		1,125	1,125	
Total U.S. Department of Housing & Urban Development			\$ 418,502	\$ 147,083	\$ 147,083	\$
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Passed through Southeastern Utah Association of Governments						
16.710	2004CKW0376	\$ 200,000		\$ 30,047	\$ 30,047	
Total U.S. Department of Justice			\$ 200,000	\$ 30,047	\$ 30,047	\$
<b>TOTAL FEDERAL ASSISTANCE</b>			\$ 4,102,777	\$ 1,563,502	\$ 1,563,502	\$

\* Major Program

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.**  
**(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2005**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Four Corners Community Behavioral Health, Inc. The Corporation reporting entity is defined in Note 1 to the financial statements. All federal awards received directly from federal agencies as well as federal awards passed-through other government agencies are included on the schedule of expenditures of federal awards.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting for expenses of the Corporation, which is described in Note 1 of the financial statements.

**FOUR CORNERS COMMUNITY BEHAVIORAL HEALTH, INC.  
(A JOINT VENTURE OF CARBON, EMERY AND GRAND COUNTIES)  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Four Corners Community Behavioral Health, Inc. has no prior audit findings that are required to be reported for previous audited financial statement on federal awards.

# SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.  
R. KIRT RICH, C.P.A.  
GREG MARSING, C.P.A.  
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Four Corners Community  
Behavioral Health, Inc.  
105 West 100 North  
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Four Corners Community Behavioral Health, Inc. for the year ended June 30, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

## TRAVEL POLICY

As part of our auditing procedures, we reviewed the Center's travel policy and compared it with results of our tests of travel payments for several of the Center's employees. We found a couple of items where we felt there were some minor discrepancies. We found one travel form that had no authorization signature, which is required according to the Center's policy. Another travel form reported meals but the employee was not reimbursed for this cost. One employee chose to use their vehicle instead of a Center vehicle and when their reimbursement was computed, it was calculated incorrectly. The total of these discrepancies was less than \$100. Over all the documentation and authorization of travel appears to comply with the Center's travel policy.

We recommend that management review with employees, the procedures followed when authorizing, requesting and making reimbursements for travel expenditures to minimize errors.

## **STATE COMPLIANCE**

According to the Utah State Audit Guide, the Department of Human Services requests that auditors test the compensation and fringe expenses of officers and directors of contract providers. One of the suggested audit procedures is to "determine if the officers and directors salary has been officially approved by the governing board as documented in the board minutes". While testing officer and director salaries, we found the Center has an official form where salaries are recorded and authorized to document the approval of these salaries. This form was filled out and signed by the board chairman. Also, the officers and directors salaries had been documented in the board minutes for 2003 and 2005. But during the current year under audit, the Center failed to document director and officers salaries in the board minutes as suggested by the Department of Human Services.

We recommend that the board of directors document, by an entry in the Board of Directors minutes, approval of the director and officers salaries as requested by the Utah State Department of Human Services.

## **INTERNAL CONTROL**

While testing the salaries expenditures charged to the substance abuse and mental health programs, it was not apparent from our initial review of employee time sheets that the time billed to the programs tied in to the daily time sheets. In a few cases, the employee failed to indicate with the appropriate activity code on the time sheet which program they were working under. We were, therefore, required to do further investigation by reviewing individual client files to discover what services the client had been receiving.

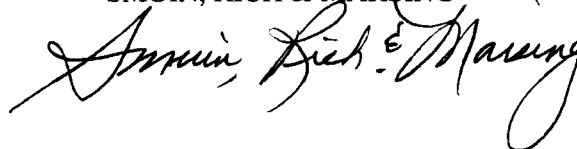
We also became aware of a few employees working 100% of their time for the Frontier Program who recorded some of their time as direct mental health and substance abuse services. These errors in recording were caught and not billed under any mental health or substance abuse programs.

We recommend that management ensure that all time cards are filled out correctly and that the salaries charged to the programs tie into the amounts from the individual employee time sheets so that the allocation of salaries between the Center's programs is accurate.

## **SUMMARY**

We feel the accounting procedures and internal control item mentioned above are areas where Four Corners Community Behavioral Health, Inc. can make changes so as to further improve their internal control structures to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

SMUIN, RICH & MARSING



Price, Utah

December 31, 2005



## MANAGEMENT RESPONSE TO AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30<sup>TH</sup>, 2005

### TRAVEL POLICY

The number and amount of the reported discrepancies appear to be the result of expectable human error. Accordingly, these findings will be brought to the attention of the supervisors who authorize travel reimbursement and the Accounting Specialist who processes these reimbursements. A brief refresher training will be conducted for all staff at the next general staff meeting in March 2006.

### STATE COMPLIANCE

The Board chair and members are aware of this omission. Since the Board minutes do reflect the Board's review and approval of director's salary for CY2005, no additional action will be taken.

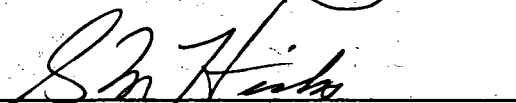
### INTERNAL CONTROL

Management has taken steps to improve the accuracy of employee records of time spent on various contracts. These steps have included: the deployment of software to monitor the time allocation of all employees with contract assignments; regular review of this data by management and supervisory staff; the adoption of procedures to change employee job descriptions and personnel records to reflect current contract assignments and specifying the required time sheet coding when employees are given contract assignments. We believe that given the complexity of FCCBH services and the number of contracts staff members have to track that this will always be an issue requiring on-going staff training and supervision.

Respectfully,

  
Robert Greenberg, LPC  
Executive Director

2/22/06  
Date

  
Gordon Hicks, B.S.  
Associate Director for Management  
Services

2/22/06  
Date

#### ADMINISTRATIVE PLAZA:

P.O. Box 867; 105 W. 100 N., #2  
Price, Utah 84501  
Telephone (435) 637-7200  
FAX (435) 637-2377  
www.fourcorners.ws

#### MOAB OFFICE:

198 East Center St.  
Moab, Utah 84532  
Telephone (435) 259-6131  
FAX (435) 259-5369

#### CASTLE DALE OFFICE:

P.O. Box 387; 45 E. 100 S.  
Castle Dale, Utah 84513  
Telephone (435) 381-2432  
FAX (435) 381-2542

#### PRICE OFFICE:

P.O. Box 867; 575 E. 100 S.  
Price, Utah 84501  
Telephone (435) 637-2358  
FAX (435) 637-9141